

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

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STR-04 CEA-01 DODE-00 PM-04 H-02 L-03 PA-01 PRS-01

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R 251355Z AUG 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 6061

INFO AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY TEHRAN

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FROM PECK

E.O. 11652: NA

TAGS: USEGJC EINV EFIN

SUBJECT: DEVELOPMENTS ON THE BANKING FRONT

REF: CAIRO 7838

SUMMARY. PM SALEM'S PERSONAL INTEREST IN HAVING FOREIGN BANKS BEGIN OPERATIONS APPEARS TO HAVE GALVANIZED BUREAUCRACY INTO MOTION. OBSTACLES ARE DISAPPEARING ONE BY ONE, AND GENERAL ATTITUDE OF OLD FOREIGN BANKING COMMUNITY IS BECOMING CONSIDERABLY MORE OPTIMISTIC THAN IN RECENT PAST, WHILE NEWCOMERS ARE STILL GENERALLY DEPRESSED.

1. ON AUGUST 7, PRIMIN SALEM INDICATED TO CHASE MANHATTAN
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REP THAT JOINT-VENTURE (WITH NATIONAL BANK OF EGYPT) CHASE

NATIONAL BANK SHOULD OPEN ON SEPTEMBER 15 (REFTEL). EVENT WAS FIRST INDICATION THAT SALEM INTENDED TO TAKE A PERSONAL ROLE IN IMPLEMENTING BANKING SEGMENT OF OPEN DOOR POLICY, AND IT HAS TAKEN INTERVENING PERIOD FOR EFFECTS TO BE FELT IN OTHER PARTS OF BANK COMMUNITY.

2. PM CALLED IN FNCB REP ON AUGUST 9 TO ENQUIRE AS TO PROBLEMS FACING THAT BANK (FOREIGN CURRENCY DEALINGS ONLY) AND WAS TOLD THAT THERE ARE NONE AT PRESENT. FNCB STILL PLANS TO OPEN NOVEMBER 1 AND DOES NOT ANTICIPATE ANY DIFFICULTIES PRIOR TO THAT DATE. (FNCB HAS CONSISTENTLY TAKEN MORE RELAXED APPROACH TO QUESTION OF TIMING THAN HAS CHASE.)

3. AS FAR AS EMBASSY IS AWARE, PM HAS NOT SPOKEN DIRECTLY TO OTHER BANKERS, SOME OF WHOM WERE UNWARE OF ABOVE MEETINGS. ONLY FNCB AND CHASE SEEM TO HAVE BEEN SINGLED OUT FOR PERSONAL HIGH-LEVEL ATTENTION (PRESIDENT SADAT REFERRED TO THEIR FORTHCOMING OPENINGS IN CONVERSATIONS WITH CODEL OBEY ON AUGUST 24), PERHAPS BECAUSE THEY WERE FIRST ON SCENE IN 1974, BUT IMPACT OF PM EFFORTS ARE NOW BECOMING VISIBLE AT LOWER LEVELS.

4. AS PART OF ATTEMPT TO REMOVE OBSTACLES IN IMPLEMENTATION OF OPEN DOOR, SALEM DELEGATED TO MINISTER OF ECONOMY AND ECONOMIC COOPERATION SHAFEI AUTHORITY TO ISSUE, ON BEHALF OF GOE, ALL NECESSARY FINAL AUTHORIZATIONS FOR INVESTMENT ACTIVITY (AFTER COMPLETION OF REQUIRED PAPERWORK AND APPROVALS) IN PLACE OF PRESIDENTIAL OR PRIME MINISTERIAL DECREE. ON AUGUST 20, SHAFEI ISSUED SUCH A DECREE, AUTHORIZING ESTABLISHMENT OF BANK MISR INTERNATIONAL (BANK MISR 51 PERCENT - FIRST NATIONAL OF CHICAGO, BANCO DI ROMA - UBAF OF LONDON 49 PERCENT). MISR INTERNATIONAL IS SECOND JOINT VENTURE BANK TO BE AUTHORIZED OF FOUR THAT HAVE BEEN PROPOSED. REMAINING TWO, AMERICAN EXPRESS (WHICH ALREADY HAS A FOREIGN CURRENCY BRANCH IN OPERATION) WITH BANK OF ALEXANDRIA, AND BANK OF AMERICA WITH BANQUE DU CAIRE, ARE WAITING FOR WORD, ALTHOUGH ONLY AMEX IS ACTUALLY IN A POSITION TO CONSIDER OPENING JOINT VENTURE IN NEAR FUTURE.

5. IN RELATED DEVELOPMENT, MANUFACTURERS HANOVER REPORTED ON AUGUST 25 THAT KEY PROBLEMS RELATED TO OPENING THEIR FREE ZONE BANK HAS BEEN RESOLVED. MINECONCOOP HAS REMOVED REQUIREMENT LIMITED OFFICIAL USE

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(WHICH WAS CONTRARY TO PROVISION OF LAW 43) THAT FREE ZONE BANKS BE PHYSICALLY LOCATED IN FREE ZONE AREA, AND HAS AUTHORIZED OPERATIONS FROM PRIVATE FREE ZONE IN CAIRO THAT MANUFACTURERS HANOVER RENTED AND SET UP SEVERAL MONTHS AGO.

6. COMMENT. ALTHOUGH IT INITIALLY APPEARED THAT SALEM WOULD BE FRUSTRATED BY SOME BUREAUCRATIC SLUGGISHNESS THAT HELPED BRING DOWN HIS PREDECESSOR, THERE HAS BEEN MORE FORWARD

MOTION ON THE BANKING FRONT IN PAST FEW DAYS THAN IN PRECEDING SEVERAL MONTHS. IT IS WORTHWHILE NOTING, HOWEVER, THAT PAST EXPERIENCES HAVE TAUGHT BANKERS VALIDITY OF A CERTAIN AMOUNT OF CAUTION; THEIR REACTION IS THUS FAR A RESTRAINED OPTIMISM RATHER THAN JOYFUL CELEBRATION.

7. ALSO WORTHY OF NOTE IS GROWING FEELING AMONG NEWCOMERS TO BURGEONING FOREIGN BANKING COMMUNITY (WHICH IS LITERALLY GROWING DAILY, WITH 30 BANKS OF WHICH WE ARE AWARE NOW PRESENT IN ONE FORM OR ANOTHER) THAT EACH ONE IS HERE BECAUSE THE OTHERS ARE HERE. MANY OF THEM WERE SENT SO THAT PARENT BANK WOULD NOT LOSE OUT TO COMPETITORS IN OPENING UP WHAT WAS THOUGHT TO BE MAJOR NEW MONEY MARKET, ONLY TO FIND THERE IS VERY LITTLE GOING ON, AND VERY LITTLE THAT CAN BE DONE ABOUT IT FROM HERE. THIS APPEARS PARTICULARLY TRUE OF BANKS OPENING REPRESENTATIVE OFFICES, WHERE EASE AND RAPIDITY OF WORLDWIDE COMMUNICATIONS IS OF CONSIDERABLE IMPORTANCE, WHO FEEL THEY HAVE BEEN BADLY MISLED AS TO ABILITY OF CAIRO TO FUNCTION AS FINANCIAL CENTER. NONE OF NEWCOMERS ARE YET THINKING OF LEAVING, REFERRING TO THEMSELVES AS "LOSS LEADERS" AND PREFERRING TO WAIT OUT REQUIRED NUMBER OF YEARS UNTIL EGYPT FULFILLS ITS POTENTIAL. AS NUMBER OF BANKS GROWS, HOWEVER, THERE MAY BE SOME WHO WILL SLIP AWAY, BUT FOR PRESENT EGYPT HAS ALL FOREIGN BANKING HELP IT CAN USE.
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